

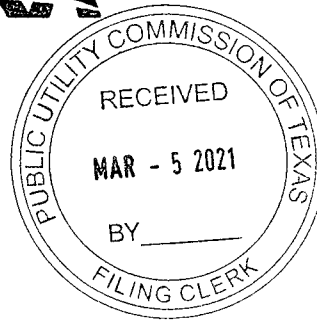


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Item Number: 3

Addendum StartPage: 0



AMANDA FRAZIER
Sr. Vice President
Regulatory Policy

March 5, 2021

Public Utility Commission of Texas
Chairman Arthur C. D'Andrea
Commissioner Shelly Botkin
1701 N. Congress Avenue
Austin, TX 78711

RE: Project No. 51812, Issues Related to the State of Disaster for the February 2021 Winter Weather Event;
Project No. 51825, Investigation Regarding the February 2021 Winter Weather Event

Dear Commissioners:

Last week at hearings held by the Texas House Committees on State Affairs and Energy Resources and the Senate Committee on Business and Commerce, our CEO, Curt Morgan, was asked to provide those committee members with ideas that should be considered to address the impacts of the mid-February storm. Under separate cover, we provided the attached list to those members yesterday, March 4, 2021.

You will note that the list provided is long, covers a wide range of concepts and ideas, and raises issues that would need to be addressed in some cases through legislation, and in some cases through regulation, either by the Public Utility Commission of Texas or the Railroad Commission of Texas. The concepts are described at a high level, and details will matter. This list is our attempt at brainstorming ideas, but we stand ready, and look forward to, discussing these ideas with you and our fellow stakeholders.

Sincerely,

ERCOT 2021 Winter Storm – Policy Response Options

Statutory Policies

	Policy Category	Policy Concept	Description
1.	Electric & Gas Coordination	Joint Gas/Power Regulatory Oversight	Create accountability and authority to ensure coordination and integration over gas and electric sectors.
2.	Electric & Gas Coordination	Force Majeure Limitations	Prevent critical fuel supplies from declaring force majeure to power plants during emergencies
3.	Emergency Operations & Preparedness	Winter Storm Warning Communications Requirements	Support Texas emergency management plan by providing earliest possible notice to Texas Division of Emergency Management of possible power outages or gas curtailments due to winter weather, with defined communications roles and reporting responsibilities. Plan for low-frequency/high-impact events.
4.	Market Design	ERCOT Financial Integrity	Modify ERCOT certification standard to require sufficient financial backing to support power market exchange clearing functions while insuring against uplift risk from defaults. Establish standards for financial market expertise at ERCOT governance and leadership levels.
5.	Market Design	Forward Resource Adequacy	Procure resource adequacy either annually or seasonally on forward basis through ERCOT-administered or bilateral market, tied to risk-weighted reliability standards and analysis
6.	Market Design	Predicate Municipally Owned Utility (MOU)/Electric Cooperative (EC) Debt Forgiveness on Competitive Retail Opt-In	MOUs and ECs that seek and utilize socialized financial assistance have demonstrated an inability to manage risks associated with serving customers. Those risks are best borne by private investors, and not customers. Requiring these MOUs and ECs to open to retail competition would help to ensure customers are protected from significant price risks, while providing the added benefit of customer choice.
7.	Market Design	Winter Fuel Storage Incentive	Provide market incentive (e.g., seasonal resource adequacy qualifications) to weatherize fuel and fuel handling facilities
8.	Market Design	Generation Reserve Requirement for Renewables	Increase generation reserve purchases* and assign incremental costs to intermittent renewables. Costs to be allocated based on expected reliability of renewable megawatts produced and included in renewables bids. *Generation reserves includes ancillary services procured by ERCOT to maintain reliable electric system; could include other constructs
9.	Market Design	Dispatchable Portfolio Standard	Legislative mandate to purchase minimum amount of energy from dispatchable resources.

² Note: Policy concepts are not mutually exclusive; some may be alternatives for others listed, or otherwise complimentary or additive.

ERCOT 2021 Winter Storm – Policy Response Options

Regulatory Policies

	Policy Category	Policy Concept	Description
1.	Electric & Gas Coordination	Restrict Critical Infrastructure from Participating in Electricity Demand Response Programs	Restrict critical infrastructure from participating in electricity demand response programs in order to avoid perverse incentives during weather events that impact both power and gas production
2.	Electric & Gas Coordination	Gas Winterization	Clear, standardized and enforceable requirements to winterize - wellhead, pumps, compressors, processing facilities, etc. Consideration of back-up power.
3.	Electric & Gas Coordination	Prioritize Gas and Electric Infrastructure	Permanently prioritize gas and power infrastructure during electric and gas curtailments (all times or during extreme weather). Require TDUs to annually audit critical load lists. Require critical infrastructure (e.g., natural gas production, processing, and transport facilities) to demonstrate critical load registration.
4.	Emergency Operations & Preparedness	Power Plant Winterization	Implement clear, standardized and enforceable requirements for winterizing power plants (including wind turbines and solar facilities) with annual certification prior to the season
5.	Emergency Operations & Preparedness	Rational Outage Allocations	Align outage allocations with seasonal demand expectations (instead of just summer peak)
6.	Emergency Operations & Preparedness	Smart Outage Rotation	Require outage implementation to be more granular and customer-specific (vs. feeder-based); ensure fair distribution across retail electric providers' customers
7.	Emergency Operations & Preparedness	Load Restoration Transparency	Require visibility into TDU load restoration plans
8.	Emergency Operations & Preparedness	Reassess Black Start Needs	Review black start contracting requirements and plans. Provide financial incentives for generators that can operate on dual fuel sources
9.	Market Design	Reduce Cap and Extend Demand Curve for Dispatchable Resources	Change the shape of the Operating Reserve Demand Curve (ORDC) with lower overall price cap and longer tail, paid to dispatchable resources in order to reduce volatility while maintaining reliability incentives
10.	Market Design	Mandate Firm Fuel Recoverability	Ensure that ERCOT appropriately compensates for firm fuel contracts through verifiable cost and mitigated offer processes
11.	Market Design	Set Wholesale Price to Reflect Cost of Thermal Resources During Off-Peak Periods	Account for the cost of dispatchable generation by setting price at thermal marginal price at low-sustained level (LSL) operation, when intermittent resources are over-supplied during low demand periods, to reflect the reliability provided by the thermal resources.

3 Note: Policy concepts are not mutually exclusive; some may be alternatives for others listed, or otherwise complimentary or additive.

ERCOT 2021 Winter Storm – Policy Response Options

	Policy Category	Policy Concept	Description
12.	Market Design	Protect Small Customers from Wholesale-Tied Prices	Restrict Griddy-style rates for residential/small commercial customers. Variable/month-to-month rates should remain permissible under Public Utility Commission rules
13.	Market Design	Retail Financial Standards	Increase creditworthiness and collateral requirements for retail electric providers
14.	Market Design	Intrastate Gas Market Transparency	Facilitate increased transparency by requiring publication of tariffs and posting on Electronic Bulletin Boards to show available pipeline capacity and enable shippers' ability to bring additional supply into the market.
15.	Market Design	Increase Customer Protections and Gas Market Oversight	Strengthen affiliate rules for gas pipelines and gas marketers. Apply general prohibition on market manipulation or exercise of market power to natural gas industry. Clarify that Railroad Commission complaints regarding discrimination can be pursued for past events, not just prospectively.